

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS OF  
COUNTY ASSEMBLY OF LAIKIPIA**

**FOR THE PERIOD  
1 JULY 2014 TO 30 JUNE 2015**

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## OFFICE OF THE AUDITOR-GENERAL

Ref: LAIKIPIA ASSEMBLY 2015

17 October 2016

**Jasper M. Muturi**  
Clerk to the Laikipia County Assembly  
P.O. Box 487-10400  
**NANYUKI**

Dear Mr. Muturi

### **REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF LAIKIPIA COUNTY ASSEMBLY FOR THE YEAR ENDED 30 JUNE 2015**

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I transmit the report of the Auditor-General on the examination of the financial operations of Laikipia County Assembly for the year ended 30 June 2015.

The report is submitted in accordance with the provisions of Article 229(7) of the Constitution for the necessary action as required by Article 229(8) of the Constitution.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Alex N. Rugera'.

**Alex N. Rugera**  
**For: AUDITOR-GENERAL**

**Copy to: Mr. Jeremiah Nyegenye**  
Clerk to the Senate  
P.O. Box 41842-00100  
**NAIROBI**

**Hon. Joshua Irungu**  
The Governor  
Laikipia County Government  
P.O. Box 1271-10400  
**NANYUKI**

# **REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF LAIKIPIA FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015**

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## **EXECUTIVE SUMMARY**

### **BACKGROUND INFORMATION**

The Constitution of Kenya, 2010 under Article 176, created the County Governments each of which consists of the County Assembly and the County Executive. The County Assembly which is the legislative arm of the County Government consists of the Speaker and Members of County Assembly (elected and nominated). The Laikipia County Assembly which is domiciled in Nanyuki town has fifteen (15) elected and eight (8) nominated Members and the speaker of the Assembly, all totaling to twenty four (24).

### **INTRODUCTION**

This management and financial operations audit report covers the period 1 July 2014 to 30 June 2015. It was undertaken to assess the adequacy and reliability of the systems of management and financial control instituted by the management of the County Assembly in running its affairs with emphasis on use of public resources put at the disposal of the County Assembly.

### **Terms of Reference**

The Office of the Auditor-General is an independent office mandated by the Constitution under Article 229 to audit the accounts of the National and County Governments. In this regard, the Office planned a management and financial operations audit of the County Assembly of Laikipia for the period 1 July 2014 to 30 June 2015 with the following audit objectives:

- To assess adequacy of controls over management of cash and bank accounts.
- To assess control over management of assets of the County Assembly.
- To assess compliance with public procurement laws in acquisition of goods and services.
- To assess compliance with the Public Finance Management Act, 2012 in the use of public funds at the disposal of the County Assembly.
- To assess compliance with other relevant laws and regulations.
- To ascertain the integrity and reliability of financial and other information used by management to spend public funds.

- To confirm that all necessary supporting documents, records, and accounts have been kept in respect of all transactions.

### **Methods Used to Gather Audit Evidence**

The approach used in carrying out this audit included the following:-

- Interviews with key officers at the County Assembly offices.
- Review of applicable legislation and regulations.
- Examination of payment vouchers and support documents, cash books, vote books, bank statements, bank slips, miscellaneous receipt books, procurement documents, stores records, asset registers and other related records.
- Review of minutes of various meetings where there were resolutions regarding use of public funds.
- Physical inspections and verifications
- Observation of processes and activities.
- Review of documents used by management to monitor use of funds.

### **Scope and Determination of Responsibilities**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that the audit is planned and performed so as to obtain reasonable evidence that, in all material respects, expenditures incurred are fairly stated and all financial transactions are recorded.

The matters mentioned in this report are therefore those that were identified through tests considered necessary for the purpose of achieving the audit objectives and it is possible that there might be other matters and/or weaknesses that were not identified.

The formulation and maintenance of effective control measures and compliance with laws and regulations is the responsibility of the management. Our responsibility is to report on the weaknesses and non-compliance with laws and regulations identified in the course of the audit.

The following sections highlight key audit findings noted during the audit of the financial operations of the County Assembly of Laikipia for the period 1 July 2014 to 30 June 2015.

## Audit Findings

### 1.0 Analysis of Budget Performance

The approved final budget for the County Assembly for the year under review was Kshs.342,734,828 out of which sum Kshs.275,734,828 (81%) was allocated to recurrent expenditure and Kshs.67,000,000 (20%) to development expenditures as follows:

| Item                  | Budgeted Allocation 2014/2015 Kshs. | Actual 2014/2015 Kshs. | Actual as % of budget | Actual as % of Total Expenditure |
|-----------------------|-------------------------------------|------------------------|-----------------------|----------------------------------|
| Development           | 67,000,000                          | 66,064,602             | 98.6%                 | 19%                              |
| Recurrent             | 275,734,828                         | 275,526,938            | 99%                   | 81%                              |
| <b>Total</b>          | <b>342,734,828</b>                  | <b>341,591,540</b>     | <b>99%</b>            | <b>100%</b>                      |
| Development 2013-2014 | 62,500,000                          | 58,341,280.00          | 93%                   |                                  |

The following matters were noted:-

- i. The actual development expenditure was Kshs.66,064,602 against a budget of Kshs.67,000,000 and therefore the absorption rate for the budget was 98.6%. Actual recurrent expenditure was Kshs.275,526,938 against a budget of Kshs.275,734,828 translating to a 99% budget absorption rate.
- ii. The Assembly under-spent on forty six (46) items resulting in a shortfall of expenditure amounting to Kshs.5,150,202 and overspent on two (2) items resulting in over-expenditure totalling Kshs.4,006,914.
- iii. Basic salary for permanent/partisan employees and Members of the County Assembly recorded the highest over expenditures but no explanation was provided for material variations and further, expenditure reallocations were not regularized through the supplementary budget before the end of the financial year.
- iv. The County Assembly budgeted an expenditure totalling Kshs.62,500,000 under the development vote and spent Kshs.58,341,280 to pay pending bills brought forward from the previous year thus leaving a balance of Kshs.4,158,720 only for projects budgeted for in the year under review.
- v. Further, the County Assembly did not maintain a development cash book as required by the Public Financial Management (PFM) Act 2012.

In the circumstance, the Assembly used most of its budgetary resources on recurrent expenditure items, contrary to the law.

## **2.0 Policy Implementation**

### **2.1 Lack of Policies**

The Laikipia County Assembly had not published an approved information telecommunication technology (ICT) policy at the time of audit. The Assembly only presented a draft copy of an ICT policy which had not been approved.

An ICT policy outlines the requirements by staff while performing their duties using information and communication technology resources. Its purpose is to guide employees of the Assembly in use of information and communication technology and help improve delivery of services to the public.

### **2.2 Failure to Establish an Audit Committee**

The County Assembly of Laikipia had, at the time of the audit, not established an internal audit committee as required by Section 155 of Public Finance Management Act, 2012.

## **3.0 Cash and Bank**

### **3.1 Outstanding Imprests**

Laikipia County Assembly had outstanding imprests totalling Kshs.345,500 as at 30 June 2015. Further, several officers were issued with multiple imprests even as they held outstanding ones that they had not surrendered. Also, the Assembly management contravened Section 93(5) of Public Finance Management (County Government) Regulations 2015 by failing to update imprest registers or record information on purposes for issue of imprests, and dates these were due for surrender, among other details.

### **3.2 Fixed Asset Register**

The County Assembly did not maintain a conclusive fixed asset register for all the County Assembly's assets. Some asset items were missing from the register. Also, for most of the listed items, important details such as dates of acquisition, and costs of the assets were not recorded. Further, all the assets of the Assembly were not tagged. This made it difficult to identify the assets, their location and the persons responsible for their custody.

In view of these anomalies, the status of Assembly's assets could not be confirmed.

## **4.0 Procurement Issues**

### **4.1 Modernization of the Assembly Chamber and Offices**

In August 2014, the Laikipia County Assembly management contracted a Construction Company based in Nairobi to modernize the Assembly chambers at a cost of



Kshs.75,720,305. However, the following anomalies were noted in relation to the execution of the contract:

**(i) Lack of Performance Bond**

The provisions of the contract agreement, required the contractor to submit to the County Assembly management a performance bond valued at Kshs.7,572,305 (equivalent to 10% of the estimated value of the contract) issued by an approved bank or insurance company. However, the management did not present the bond for audit review when requested to. In the circumstance, it was not possible to confirm whether the contractor submitted the bond and how the Assembly would be compensated in the event that the contractor failed to complete the works in accordance with the contract.

**(ii) Irregular Advance Payment**

The management made an advance payment amounting to Kshs.7,600,000 to the contractor on agreement that the advance would be recovered in four equal instalments of Kshs.1,900,000 each beginning with the third interim payment. No bank guarantee was executed to ensure recovery of the advance in the event the contractor defaulted on the terms of repayment. At the time of the audit, only Kshs.1,975,000 had been recovered from the contractor and the management had not drawn a plan on how to recover the balance of Kshs.5,625,000 from the contractor.

**(iii) Lack of Certificate for Payment**

The County Assembly further paid the contractor Kshs.5,409,684 during the year under review, however, there were no works completion certificates from the company to show the value of work done and as a result, it has not been possible to confirm the propriety of the expenditure.

**4.2 Purchase of Goods that were not planned for Use**

During the year under review, the County Assembly bought goods valued at Ksh.5,264,480 paid for vide cheque No 394 of 29 October 2014. At the time of audit, the items were still in the stores contrary to Public Procurement Regulations and Procedures of 2006 which require stores to be purchased only when required.

**4.3 Unsupported Expenditure on Catering Services**

During the year under review, the County Government of Laikipia made payments totalling Kshs.1,126,950 to various hotels for providing catering services to MCAs and other members of staff. However, details on the seminars including identity and number of participants, duration, and purpose were not disclosed. As a result, the propriety of the payments could not be confirmed.

**4.4 Direct Procurement and Doubtful Expenditure**

A sum amount of Kshs.400,000 was paid to a stationery vendor in Nanyuki for supply of 5,000 strategic plan booklets at Kshs.65 amounting to Ksh.325,000 an additional

sum Kshs.75,000 for 5,000 copies for the simplified strategic plan at Kshs.15. However, no explanation was provided for the essence of having two strategic plan editions. Further, it was not possible to establish how the supplier was identified since no tender documents were presented for audit review.

#### **4.5 Direct Procurement and Unsupported Payment for Car Hire Services**

A payment totalling Kshs.648,000 was made to a firm that reportedly provided car hire services to the Laikipia County Government. However, the destination of the hired vehicles, purpose of the journeys, the number and names of the officers who used the vehicles was not disclosed.

Further, there were no records showing how the firm was identified. In the circumstance, the propriety of the expenditure could not be confirmed.

#### **5.0 Pending Bills**

As at 30 June 2015, the County Assembly of Laikipia had not settled bills totalling Kshs.31,201,861. The bills were instead carried forward to the 2015/2016 financial year. Further, the County Assembly approved budget of Kshs.342,734,828 and actual expenditure was Kshs.341,591,540 thus leaving an unspent balance of Kshs.1,143,288. It was not clear how the pending bills arose since the Assembly received almost all the monies it had budgeted.

#### **6.0 Outstanding Legal Fees**

Records maintained at the Laikipia County Assembly revealed that as at 30 June 2015, legal fees totalling Kshs.2,320,000 were due for payment.

However, information on the legal matters that caused the expenditure was not presented for audit review. In the circumstance, it was not possible to establish the validity of the expenditure totalling Kshs.2,320,000.

#### **7.0 Human Resource Management**

##### **7.1 Overpayment of Basic Pay**

The County Assembly incurred a total of Kshs.2,588,752 on basic salaries for various County Government employees. However, the salary rates applied exceeded those stipulated by the Salaries and Remuneration Commission. The management did not explain why they paid salaries at rates higher than those outlined in the recommended salary structure.

##### **7.2 Un-procedural Hiring and Payment of Staff in Ward offices**

During the year under review, a total of Kshs.13,317,960 was incurred on payment of salaries to employees in ward offices. The budget for the salaries was not presented for audit verification.

Further, there was no evidence that the County Assembly Service Board was involved in the recruitment of the employees contrary to provisions of Section 12(7)(b) of the County Government Act 2012. In addition, it was not clear how the employees were recruited since their job applications, copies of certificates and recruitment checklists were not presented for audit.

## **8.0 Irregularities on the Management of Car and Mortgage Scheme**

During the previous (2013/2014) financial year, the management credited the County Assembly car loan and mortgages account with Kshs.100,000,000 for use in financing loans to Members of the County Assembly. However, the following anomalies were noted in relation to loans granted:

- i. The County Assembly failed to buy insurance policies on mortgage loans as required by the regulations.
- ii. A reconciliation statement on loans issued, repayments made and arrears as at 30 June 2015 was not presented for audit to confirm loan advances and repayments made. Available records indicated that as at 15 October 2015, unpaid loan arrears totalled Kshs.3,335,520.
- iii. Laxity in recovering loans resulted in repayment arrears. For example, one MCA had repaid Kshs.503,306 only as at 14 November 2014 out of a loan amounting to Kshs.3,781,089 thus resulting in arrears totalling to Kshs.3,277,783.
- iv. Statement of accounts relating to the Fund were not prepared and submitted to the Auditor- General for audit as required by law.
- v. Logbooks for cars purchased by borrowers to the Fund (MCAs) were not registered to the respective names of borrowers and the County Assembly as required under fund's regulations. In view of these anomalies, the management breached regulations governing the administration of the Fund. As a result, there is risk of non-recovery of some of the loans and mortgages.

## **9.0 MCA's Sitting Allowances**

### **9.1 Over Expenditure on Sitting Allowances**

Examination of documents made available for audit revealed that sitting allowances paid to MCAs during the year under review totalled Kshs.25,075,101. The expenditure exceeded the annual budgetary allocation of Kshs.17,150,233 by Kshs.7,922,868 thus resulting in an excess vote equivalent to 46.20% of the approved budget, and much higher than the 10% ratio allowed under the Appropriation Act. No explanation was provided for material variations and further, the reallocations were not regularized in the Supplementary Budget.

In addition, expenditure returns prepared by the Assembly management reflected total annual expenditure on sitting allowances amounting to Kshs.17,037,050 against the

balance of Kshs.25,075,101 shown in the financial accounts. The difference of Kshs.8,056,051 between the two records was not explained.

## **9.2 Concurrent Payment of Travel and Sitting Allowances to MCA**

A letter dated 14 August 2014 invited one MCA to attend a two-week Youth Parliamentary Workshop in Nairobi from 4 to 14 August 2014. However, a payment voucher dated 15 September 2014 indicated that the MCA was paid Kshs.88,000 per diem for attending the workshop. Further, records maintained by the County Assembly of Laikipia indicated that the MCA was paid sitting allowance for two committee sittings held in Nanyuki while she was purported to be attending the workshop in Nairobi. In the circumstance, it was not possible to confirm that the payments made to the MCA represented a proper charge on public funds. Further, examination of Committee attendance records revealed instances where lists shown in attendance registers differed with those shown in respective committee Minutes. On many occasions, the attendance registers were not signed by Members present, or those present signed for their absent colleagues.

## **10.0 Foreign Travel Expenditure**

### **10.1 Contract for Organizing Foreign Trips**

During the financial year under review, the County Assembly of Laikipia engaged a Kenyan firm to organize training in India for the County Assembly members. Participation fee due for each member was Kshs.185,000 and thus the Assembly paid the firm a total of Kshs.1,716,800 for the eight (8) nominated participants. Further, the participants were paid subsistence allowances totalling Kshs.1,852,802 while air tickets costed Kshs.1,304,770 all totalling Kshs.4,874,372.

However, letters of invitation from the Indian hosts or attendance confirmation records or stamped passports of the MCAs who travelled were not presented for audit. As a result, it was not possible to confirm whether the MCAs travelled to India for the seminar. Further, the Assembly management did not present any report on the seminar for audit verification. Therefore, it was not clear how the trip benefitted the County Assembly of Laikipia and residents of Laikipia County in general. In addition, the County Assembly of Laikipia procured the services of the company directly contrary to public procurement regulations that require entities to invite bids for such services. As a result, it has not been possible to confirm the competitiveness of the price charged by the firm for the services rendered to the Assembly.

## **11.0 Domestic Travel Expenditure**

### **11.1 Over-expenditure on Air Travel**

During the financial year under review, the County Assembly of Laikipia incurred air travel costs totalling Kshs.7,338,492 against a budget of Kshs.4,000,000. The expenditure was equivalent to 183.46% (nearly two times) of the approved budget. No explanation was provided for the over -expenditure.

## **12.0 Payment of Allowances**

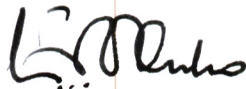
### **12.1 Unsupported Allowances**

The County Assembly of Laikipia paid MCAs and staff allowances totalling Kshs.1,584,500 through cheque number 194 of 28 August 2014. However, the payments were not supported with schedules, work tickets or other relevant documents. Therefore, the propriety of the payments could not be ascertained.

### **12.2 Irregular Per Diem Allowance Claims**

During the financial year under review, the County Assembly of Laikipia paid per diem allowances totalling Kshs.3,423,300 to officers who attended various meetings in two hotels in Nyeri County.

The hotels are located less than 15 Kilometres from the Laikipia County Assembly building. One of the hotels stands about three kilometres away from the building but sits in Nyeri County since Nanyuki Town lies at the border between Nyeri and Laikipia Counties. Therefore, the night-out allowances paid to the MCAs were not valid and should therefore be recovered from the payees who were Members and staff of County Assembly.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**28 September 2016**

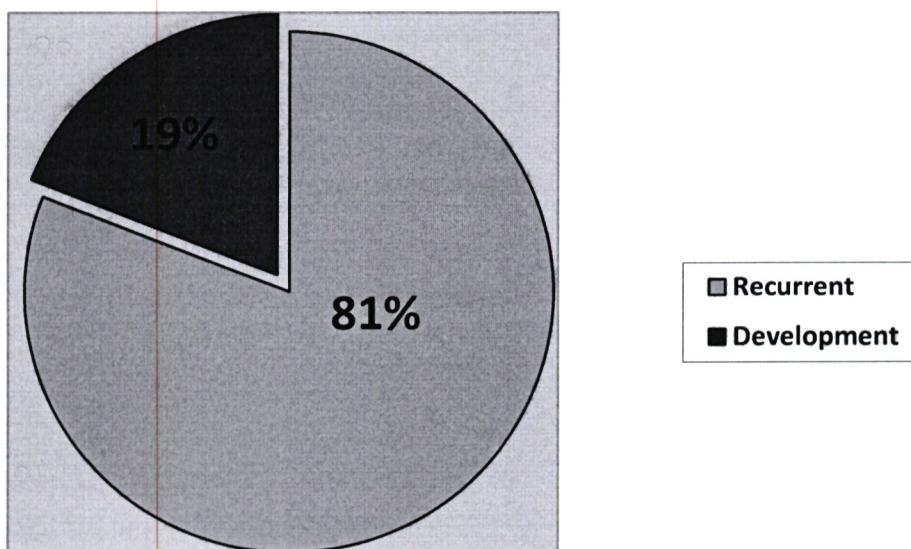
**DETAILED AUDITOR-GENERAL'S REPORT ON THE FINANCIAL OPERATIONS OF THE COUNTY ASSEMBLY OF LAIKIPIA FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015**

**Audit Findings**

**1.0 Analysis of Budget Performance**

The approved budget for the County Assembly of Laikipia for the year under review totalled Kshs.342,734,828. A sum of Kshs.275,734,828 (80%) was allocated to recurrent expenditure and Kshs.67,000,000 (20%) to development expenditures as shown in the following table:

| Item                  | Budgeted Allocation 2014/2015 Kshs. | Actual 2014/2015 Kshs. | Actual as % of budget | Actual as % of Total Expenditure |
|-----------------------|-------------------------------------|------------------------|-----------------------|----------------------------------|
| Development           | 67,000,000                          | 66,064,602             | 98.6%                 | 19%                              |
| Recurrent             | 275,734,828                         | 275,526,938            | 99%                   | 81%                              |
| <b>Total</b>          | <b>342,734,828</b>                  | <b>341,591,540</b>     | <b>99%</b>            | <b>100%</b>                      |
| Development 2013-2014 | 62,500,000                          | 58,341,280.00          | 93%                   |                                  |



The following observations were made in regard to the expenditure balances:-

- i. Actual development expenditure was Kshs.66,064,602 against a budget of Kshs.67,000,000 and therefore attained an absorption rate of 98.6% while actual recurrent expenditure was Kshs.275,526,938 against budget of Kshs.275,734,828 and thus attained an absorption rate of 99%.

- ii. The Assembly under-spent on forty six (46) expenditure items resulting in an under-expenditure of Kshs.5,150,202 and overspent on two (2) items by a total of Kshs.4,006,914.
- iii. Salaries for employees and members of the County Assembly reported the highest over-expenditure. No explanation was provided for the material variations and further, budget reallocations to the item were not regularized in the supplementary budget for the financial year.
- iv. The County Assembly did not maintain a development cash book as required by the Public Financial Management Act, 2012.

## **2.0 Policy Issues**

### **2.1. Lack of Policies**

The Laikipia County Assembly had not finalized the publication of an Information Communication Technology (ICT) policy by the end of the financial year under review. The copy presented for audit verification was only a draft which had not been approved by the management of the Assembly. The ICT policy outlines requirements to be followed by staff using information and communication technology resources. The purpose of the policy is to ensure safe, efficient and effective use of information and communication technology and help improve delivery of services to the public.

### **Recommendations**

- i. The management of the County Assembly of Laikipia should publish its policy on management of ICT resources.
- ii. The County Assembly of Laikipia should align its financial and institutional resources to its policy objectives and programmes and observe budget expenditure limits.

### **2.2 Lack of Audit Committee**

The management of the County Assembly of Laikipia had, at the time of the audit, not established an Internal Audit Committee as required under Section 155 of Public Finance Management Act, 2012. As a result, the internal audit function was constrained as it was made to report to the management instead of an audit committee as required under government financial regulations.

### **Recommendation**

The County Assembly of Laikipia should constitute an audit committee as per the requirements PFM Act, 2012 and ensure that it is operational at all times.

### **3.0 Cash and Bank**

#### **3.1 Outstanding Imprests**

Laikipia County Assembly's outstanding imprests as at 30 June 2015 amounted to Kshs.345,500. In several instances noted, Officers were issued with several new imprests even as they held outstanding ones that they had not surrendered. The Assembly did not maintain an updated imprest register showing the purpose of the imprests and due dates for surrender, among other important details.

#### **Recommendations**

The County Assembly management should recover all long standing imprests from the salaries of imprest holders and sanction them for the delayed surrenders. The management should not issue new imprests to Officers who have not surrendered previous ones.

#### **3.2 Fixed Asset Register**

The County Assembly did not maintain a complete fixed asset register for the entire County Assembly's assets. Some assets were missing from the register, especially those that were newly procured. The asset inventory register presented for audit lacked important information such as purchase prices and dates of acquisition. Further, all the assets were not tagged and as a result, it was not possible to identify their location in the Assembly building.

In addition, the County Assembly management had not established an asset management policy even though the Assembly had many assets.

#### **Recommendations**

The County Assembly management should maintain a detailed fixed asset register of all its assets.

### **4.0 Procurement / Store Records**

#### **4.1 Modernization of Assembly Chamber and Offices**

The Laikipia County Assembly management in August 2014 contracted a construction company from Nairobi to modernize the Assembly's Chamber and Offices at a cost Ksh.75,720,305. However, the following anomalies were noted in relation to the contract:

##### **(i) Lack of Performance Bond**

The tender the contractor was required to provide a performance bond valued at Kshs.7,572,305 being 10% of the estimated value of the contract from an approved bank or insurance company. However, the bond was not presented for audit review and as a result it was not possible to confirm its existence.



In the circumstance, it was not possible to establish how the Assembly would secure its interests in the event that the contractor failed to execute the works as specified in the contract.

**(ii) Irregular Advance Payment**

The contractor was granted an advance payment of Kshs.7,600,000 repayable in four equal instalments of Ksh.1,900,000 starting with the third interim payment. However, at the time of the audit, only Kshs.1,975,000 had been recovered and there was no undertaking on the recovery of the balance amounting to Kshs.5,625,000. Further, there was no bank guarantee for the advance payment. It appears also that the Assembly irregularly financed the contractor to start the construction by advancing this money.

**(iii) Lack of Certificate for Payment**

An additional sum of Kshs.5,409,684 was paid to the contractor but there were no works completion certificates showing the value of work done by the contractor. In the circumstance, it was not possible to confirm the validity of the expenditure.

**(iv) Lack of Inspection and Acceptance Committee**

Works done by the contractor were not certified by an inspection and acceptance committee as none had been constituted.

**Recommendations**

- i. The County Assembly management should constitute an inspection and acceptance committee to evaluate and certify works executed by contractors.
- ii. The management should explain why, contrary to public procurement regulations, it financed the contractor to execute the contract by granting him an advance payment amounting to Kshs.7,600,000. The management should in addition provide evidence to show that the whole sum has been recovered from the contractor.
- iii. The management should explain the reason why it paid the sum of Kshs.5,409,684 to the contractor even though he did not present works certificates to validate the payment.
- iv. The management should observe public procurement regulations in award and execution of contracted works.

**4.2 Purchase of Un-Requisitioned Goods**

Records presented for audit indicated that during the year under review, the County Assembly bought electronic (Hansard) voice recording equipment's at an aggregate cost of Kshs.5,626,480. The payment was processed as per L.P.O No1849688 of 26

June 2013, Invoice No. 0405 of 22 October 2014 and paid vide cheque No 394 of 29 October 2014.

At the time of audit, the items lay unutilized in the stores contrary to the laid down regulations and procedures which require stores to be purchased only when they are required for use.

### **Recommendations**

The management of the National Assembly should justify the procurement of the equipment's, failure to which the amount of Kshs.5,626,480 should be recovered from respective officials.

### **4.3 Unsupported Expenditure on Catering Services**

The County Government of Laikipia made payments to several hotels that had reportedly provided catering services to MCAs and other members of staff of the County Assembly. However, relevant details on the workshops including number of participants, duration and purpose of meetings held in the hotels were not disclosed. In the circumstance, it has not been possible to confirm whether, the expenditures were a proper charge on public funds.

### **Recommendation**

The County Assembly management should submit for audit relevant and sufficient evidence to confirm validity of expenditure totalling Kshs.1,126,950 paid to various hotels for catering services. In similar engagements in future, the management should state purpose and duration of meetings and compel participants to register their presence.

### **4.4 Direct Procurement and Doubtful Expenditure**

A sum of Kshs.525,000 was paid to a printing firm in Nanyuki for supply of 5000 strategic plan booklets each at Kshs.65 and another 5000 copies for a simplified version of the plan each at Kshs.15. The payments totalled Ksh.325,000 and Kshs.75,000 for the respective editions.

However, the County Assembly management did not explain the essence of publishing two editions of the strategic plan. In addition, the audit could not establish how the supplier was sourced since tender documents were not presented for audit.

### **Recommendation**

The County Assembly management should justify why direct procurement used to procure services for printing the strategic plan and explain why the very large number (10,000) copies of the plan were printed.

#### **4.5 Direct Procurement and Unsupported Payment for Car Hire Services**

During the year under review, a sum of Kshs.648,000 was paid to firm that provided car hire services to the Laikipia County Assembly. However, important information such as destinations of the hired vehicles, purposes of the journeys, number and names of the officers who used the vehicles involved was not disclosed. As a result, it was not possible to confirm that the journeys occurred and the payments made to the firm were a proper charge on public funds.

##### **Recommendation**

The County Assembly management should explain how the car hire firm was appointed to offer the services. In addition, the management should provide evidence that the payments made to the firm were valid, failure to which Kshs.648,000 should be recovered from respective officials.

#### **4.6 Pending Bills**

As at 30 June 2015, the County Assembly of Laikipia had not settled bills totalling to Kshs.31,201,861. These were instead carried forward to the 2015/2016 financial year. Further, the County Assembly's approved budget totalled to Kshs.342,734,828 while actual expenditure amounted to Kshs.341,591,540 leaving an unspent balance of Kshs.1,143,288. It was not clear how the pending bills arose since the Assembly received almost all the monies it had budgeted to spend.

##### **Recommendation**

The County Assembly management should explain the origin of the bills totalling Kshs.31,201,861 that were outstanding as at 30 June 2016

#### **5.0 Outstanding Legal Fees**

Records maintained at the Laikipia County Assembly revealed that as at 30 June 2015, legal fees totalling Kshs.2,320,000 were due for payment. However, information on the legal matters that resulted in the expenditure was not presented for audit review. In the circumstance, it was not possible to establish the validity of the expenditure totalling Kshs.2,320,000.

##### **Recommendation**

The management should account for Kshs.2,320,000 failure to which the amount should be recovered from respective officers.

#### **6.0 Human Resource Management**

##### **6.1 Appointment of Unsuitable Candidates for Two Positions of Hansard Reporter II**

Review of personnel records revealed irregular appointments made by the County Service Board for the post of Hansard Reporter II. The advertisement for the post had

specified that the suitable candidate for the job would possess a Diploma in Journalism/ Mass Communication from a recognized institution.

However, two Officers were appointed to the post without the qualification- one held a Bachelors' degree in Commerce (banking and finance) and the other a certificate in HIV Studies.

### **Recommendation**

The County Assembly Service Board should explain the circumstances which lead the Board to ignore the advertised specifications when hiring the personnel.

### **6.2 Overpayment of Basic Pay**

Examination of salary records revealed that a total of Kshs.2,588,752 was spent on basic salaries paid at rates that were higher than those stipulated in the salary structure approved by the Salaries and Remuneration Commission(SRC). The County Assembly management did not explain why they ignored the approved salary structure set by the SRC.

### **Recommendations**

- i. The County Assembly management should recover the overpayments of salary totalling Kshs.2,588,752 from the respective officers.
- ii. The management should follow SRC guidelines on payment of salaries.

### **6.3 Unprocedural Hiring and Payment of Staff in the Ward Offices**

During the year under review, a total of Kshs.13,317,960 was spent on salaries paid to employees appointed on contract to work in County Wards. The management did not present any evidence showing that payments were provided for in the budget for the year. Further, there was no evidence to show that the County Assembly Service Board participated in recruiting the employees contrary to the provisions of Section 12(7)(b) of the County Government Act, 2012.

In addition, it was not clear how the employees were recruited since no applications, copies of certificates and recruitment checklists were presented for audit to support the recruitment process.

### **Recommendation**

The County Assembly management should define terms and conditions of employment for staff appointed on contract and include the staff in the payroll for effective budgetary control.

## **7.0 Irregularities in Management of the County Assembly Car and Mortgage Scheme**

The Laikipia County Assembly car loan and mortgages account received disbursements totalling Kshs.100,000,000 during the 2013/2014 financial year. However, the following anomalies were noted in relation to the administration of the Fund:

- i. The County Assembly did not buy insurance policies on mortgage loans granted by the Fund as stipulated in Fund regulations.
- ii. A reconciliation statement for loans issued, repayments made and arrears as at 30 June 2015 was not presented for audit to confirm the total balance of unpaid loans and reasons for defaulted repayments. However, other records indicated that as at 30 September 2015, the arrears totalled Kshs.3,335,520. In one instance, one MCA having taken a loan of Kshs.3,781,089, had repaid Kshs.503,306 only as at 14 November 2015. As at 30 June 2015, management had not taken any action to recover the loan.
- iii. Statements of accounts relating to the Fund were not prepared and presented for audit. As a result, its operations and financial position could not be confirmed. Logbooks for cars purchased through loans granted by the Fund had not been registered in the names of the borrowers and as a result, it was not possible to confirm whether the borrowers had indeed bought the vehicles.

### **Recommendations**

The County Assembly management should:-

- i. Present for audit documents showing monies transferred to the Fund Account during the year under review, and, loan repayment arrears as at 30 June 2015;
- ii. Prepare financial statements for the Fund and present them for audit;
- iii. Compel all car loan borrowers to register vehicles bought jointly with the County Assembly and
- iv. Obtain insurance policies for mortgage loans granted by the Fund.

## **8.0 MCA Sitting Allowances**

### **8.1 Over-Expenditure on Sitting Allowances**

Examination of documents made available for audit revealed that annual sitting allowances for MCAs totalled Kshs.25,073,101. However, expenditure returns presented for audit reflected a balance of Kshs.17,037,050 which sum exceeded the annual budgetary allocation of Kshs.17,150,233 by Kshs.7,922,868 or 146.20% against the ratio 110% allowed in the Appropriation Act of the County Assembly.

## Recommendation

Expenditure not provided for in the budget should only be incurred after approval by the Controller of Budget and the County Assembly.

### 8.2 Double Payment of Per-diem and Sitting Allowance

Examination of travel expenditure revealed that in August 2014, an MCA was paid per diem totalling Kshs.88,000 to attend a Youth Parliamentary Workshop in Nairobi. However, records maintained by the County Assembly of Laikipia indicated that the MCA was paid sitting allowance for two committee sittings held in Nanyuki when she was in Nairobi for the workshop. Details on the payments are shown in the table below:-

| Date       | Committee               | Position | Amount (Kshs) |
|------------|-------------------------|----------|---------------|
| 12.08.2014 | Accounts and Investment | Member   | 3,900         |
| 11.08.2014 | Transport               | Member   | 3,900         |

Further audit review revealed that there were instances where the lists of names shown in attendance lists differed with those noted in the respective Committee Minutes. On many occasions, members present did not sign the attendance register, and in other instances those present signed for the absentees.

## Recommendation

The County Assembly management should recover the irregularly paid money from respective MCA.

### 9.0 Foreign Travel Expenditure - Contract for Organizing Foreign Trips

During the financial year under review, the management of the County Assembly of Laikipia engaged a Kenyan firm to facilitate training in India for the Assembly's MCAs. The Assembly paid fees amounting to Kshs.1,716,800 being participation fees for eight (8) MCAs at Kshs.185,000 each. Further, the participants were paid subsistence allowances totalling Kshs.1,852,802 and air tickets at a cost of Kshs.1,304,770 all totalling Kshs.4,874,372. However, the audit noted the following anomalies in relation to the engagement:

- i. There were no documents from the Indian hosts confirming planning or occurrence of the training workshop.
- ii. The services of the company were not procured competitively. Therefore, in addition to likely breach of procurement laws, it was not possible to confirm whether the price charged for the services was competitive.

- iii. The report from the trip was not presented for audit, and therefore it has not been possible to confirm the benefits the training may have brought to the County Assembly of Laikipia and residents of the County.

### **Recommendation**

The management should present audit evidence to the auditors confirming that the expenditure totalling Kshs.4,874,372 was a proper charge on public funds failure to which the amount should be recovered from respective officials.

### **10.0 Domestic Travel Expenditure - Excessive Air Travel**

Other travel records indicated that the Assembly's expenditure on travel costs totalled Kshs.7,338,492 during the year under review. However, the following anomalies were noted in relation to the expenditure:

- i. The budget for travel costs for the year was Kshs.4,000,000 and therefore the actual expenditure cost of Kshs.7,338,492 was 183.46% of the budget. No explanation was provided for the anomaly.
- ii. The management contracted three travel agents to procure work tickets for the travellers, but the costs for the tickets were too high. For example, the normal price for a two-way ticket to Mombasa from Nairobi ranges between Kshs.14,000 and Kshs.20,000. However, prices paid by the County Assembly were as high as Kshs.48,000 or, or more than two times the average market price.
- iii. Also, County Assembly members and staff secured tickets from the contracted agents without clear reasons for travel and thus over-spent on the item. For example, the agent who handled most of the business travel was owed Kshs.2,646,214 at the beginning of the financial year but went on to sell additional tickets valued at Kshs.3,915,257 during the year under review.

### **Recommendation**

The management should explain why the County Assembly's expenditure on travel exceeded the budget for the item by 189%.

### **11.0 Payment of Allowances**

#### **11.1 Unsupported Allowances**

The County Assembly of Laikipia paid several MCAs and the staff allowances totalling Kshs.1,584,500 through cheque number 194 of 28 August 2014. However, no supporting schedules, work tickets and other relevant documents were attached to the payment vouchers to validate the expenditures. As a result, the audit could not confirm whether the expenditure was a proper charge on public funds.

## **Recommendation**

The County Assembly management should present for audit documentary evidence that validates staff allowances totalling Kshs.1,584,500 paid to MCAs and staff of the Assembly, or recover the balance from the payees.

### **11.2 Unjustified Per Diem Allowance Payments to MCAs and Staff**

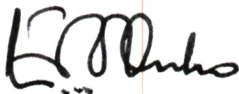
During the financial year under review, the County Assembly of Laikipia paid per diem allowances totalling Kshs.3,423,300 to officers who attended various meetings in hotels in Nyeri County. The hotels, though located in Nyeri County, are located less than 15 Kilometres from the Laikipia County Assembly building as Nanyuki Town lies at the border between Nyeri and Laikipia Counties. One of the two hotels, stood three kilometres from the building. The night-out allowances were therefore not justified and should be recovered from the payees.

## **Recommendation**

The County Assembly management should recover allowances totalling Kshs.3,423,300 paid irregularly to staff and members of the County Assembly of Nyeri.

## **Conclusion**

The findings of the audit confirm that the management of the County Assembly of Laikipia, in its second year of operations, had established systems for management of resources at its disposal. However, the systems were either inadequate or faced numerous breaches resulting in non-compliance with public financial management regulations and loss and waste of public resources. The management should refine the systems and comply with public financial regulations at all times.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**28 September 2016**